

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 IO-13 ISO-00 CIAE-00 DODE-00
NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00 STRE-00
AGRE-00 CEA-01 COME-00 EB-08 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 PA-01 CTME-00 AID-05 SS-15
STR-06 ITC-01 TRSE-00 PRS-01 SP-02 SOE-02 OMB-01
DOE-11 AF-10 ARA-10 EA-10 /143 W
-----059886 271748Z /46

O 271720Z JAN 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 4526
INFO ALL EC CAPITALS
AMEMBASSY ALGIERS
AMEMBASSY AMMAN
AMEMBASSY ANKARA
AMEMBASSY BEIRUT
AMEMBASSY CAIRO
AMEMBASSY PARIS
AMEMBASSY RABAT
AMEMBASSY TEL AVIV
AMEMBASSY TUNIS
USMISSION GENEVA

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USEEC

PASS AGRICULTURE ELECTRONICALLY FOR SAYLOR AND SCHROETER,
FAS; AND STR ELECTRONICALLY FOR STARKEY
PARIS ALSO FOR USOECD
GENEVA ALSO FOR USMTN

E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJ: PROPOSED EC PREFERENTIAL TARIFF REDUCTIONS ON
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FRESH CITRUS

REF: (A) 77 BRUSSELS 19206, (B) 77 EC A-374, (C) COPEN-
HAGEN 561, (D) EC A-13, (E) BRUSSELS 1566

1. COMMISSION SOURCES TELL US THAT COREPER HAS BEEN
UNABLE TO REACH AGREEMENT ON THE COMMISSION'S PROPOSALS

TO INCREASE THE TARIFF PREFERENCES ON EC IMPORTS OF FRESH ORANGES (08.02 EX A) AND FRESH MANDARINS (08.02 EX B) FROM ISRAEL, EGYPT, JORDAN, LEBANON AND TURKEY. DECEMBER COUNCIL OF FOREIGN MINISTERS ASKED COREPER TO LOOK AT QUESTION AFTER MINISTERS FAILED TO REACH AN AGREEMENT (REF. A). THE PROPOSED INCREASE FROM 60 TO 80 PERCENT IS INTENDED TO BRING THE PREFERENTIAL TARIFF RATES FOR THE ABOVE COUNTRIES IN LINE WITH THOSE ALREADY IN EFFECT FOR THE MAGHREB COUNTRIES (ALGERIA, MOROCCO AND TUNISIA). THE PREVIOUSLY EXISTING PREFERENTIAL RATES ON EGYPTIAN AND TURKISH ORANGES AND MANDARINS HAD ALREADY BEEN INCREASED TO 60 PERCENT IN RECENT YEARS.

2. FRANCE AND ITALY INITIALLY OPPOSED THE COMMISSION'S PROPOSALS IN COREPER, ACCORDING TO OUR SOURCES. FRANCE THEN AGREED TO THE PROPOSED INCREASES PROVIDED THAT THE 80 PERCENT TARIFF REDUCTION NOW IN FORCE FOR THE MAGHREB COUNTRIES BE RAISED TO 90 PERCENT, THUS MAINTAINING A 10 PERCENTAGE POINT HIGHER RATE FOR THE MAGHREB COUNTRIES THAN FOR THE OTHERS. ITALY, HOWEVER, CONTINUES TO BE OPPOSED TO ANY INCREASE.

3. THERE APPEARS TO BE A CONSENSUS AMONG OUR COMMISSION SOURCES THAT COREPER WILL RECOMMEND SOME INCREASE IN PREFERENCES IN TIME FOR CONSIDERATION BY THE FEBRUARY 13-14 LIMITED OFFICIAL USE

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AGRICULTURAL MINISTERS COUNCIL, OR AT THE LATEST, IN TIME FOR COUNCIL DISCUSSIONS OF THE MEDITERRANEAN REFORM PACKAGE WHEN ITALY COULD BE GRANTED SOME TYPE OF "PAY OFF" FOR INCREASED PREFERENCES BY THE NORTHERN EC MEMBER STATES. THIS CONSENSUS IS BASED ON THE NATURE OF THE COMMITMENT IN THE FOLLOWING EC DECLARATION, RELATIVE TO THE PREFERENTIAL RATES ON CITRUS FRUIT, WHICH IS CONTAINED IN ALL OF THE AGREEMENTS UNDER THE GLOBAL MEDITERRANEAN POLICY. WE ASSUME THAT THIS IS THE "PROMISE" REFERRED TO IN PARAGRAPH 2F, REF. C. QUOTE: THE COMMUNITY IS READY TO CONSIDER, IN THE LIGHT OF THE RESULTS OF THE AGREEMENT AND TAKING INTO ACCOUNT THE TREND OF TRADE FLOWS BETWEEN THE COMMUNITY AND THE MEDITERRANEAN COUNTRIES, AN IMPROVEMENT OF THE CONCESSION GRANTED IN ARTICLE . . . OF THE AGREEMENT FOR ORANGES, MANDARINS (INCLUDING TANGERINES AND SATSUMAS), CLEMENTINES, WILKINGS AND OTHER SIMILAR CITRUS HYBRIDS TO TAKE EFFECT FROM THE MARKETING YEAR 1977/78. END QUOTE.

4. IN CONNECTION WITH THE PROPOSAL TO IMPROVE PREFERENCES FOR MEDITERRANEAN COUNTRIES, WE NOTE THAT

THE COMMISSION HAS ALSO PROPOSED CERTAIN CHANGES IN THE RULES GOVERNING THE CALCULATION OF REFERENCE PRICES FOR CITRUS FRUIT (REFS. D AND E). THESE CHANGES WOULD ALLOW FOR SOMEWHAT LARGER INCREASES IN REFERENCE PRICES THAN PERMITTED BY EXISTING EC RULES AND WOULD PRESUMABLY IMPROVE THE COMPETITIVE POSITION OF ITALIAN CITRUS VIS-A-VIS LOWER-PRICED MEDITERRANEAN CITRUS PRODUCTS. IN THE PAST, U.S. CITRUS EXPORTS HAVE NORMALLY ENTERED WELL ABOVE EC REFERENCE PRICES.

5. COMMENT: THERE IS NO DOUBT THAT AN INCREASE IN TARIFF PREFERENCES ON FRESH CITRUS WOULD IMPACT ON THE COMPETITIVENESS OF U.S. FRESH CITRUS IN THE EC MARKET; FURTHER EXTENSION OF THE PREFERENCES WOULD UNDERMINE THE LIMITED OFFICIAL USE

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INFO OCT-01 NEA-10 IO-13 ISO-00 CIAE-00 DODE-00
NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00 AGRE-00
CEA-01 COME-00 EB-08 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 PA-01 CTME-00 AID-05 SS-15 STR-06
ITC-01 TRSE-00 PRS-01 SP-02 SOE-02 OMB-01 DOE-11
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FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 4527

INFO ALL EC CAPITALS

AMEMBASSY ALGIERS

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VALUE OF THE TARIFF REDUCTIONS WE OBTAINED IN THE ARTICLE XXIV:6 NEGOTIATIONS ON FRESH CITRUS WITH THE EC. MOREOVER, THE PROPOSAL FOR INCREASED PREFERENCES IS PARTICULARLY INOPPORTUNE CONSIDERING THAT THE EC HAS MADE NO OFFERS ON FRESH CITRUS (OTHER THAN GRAPEFRUIT) IN THE MTN'S. EVENTUAL COUNCIL APPROVAL OF DEEPER PREFERENCES FOR FRESH CITRUS FROM NORTH AFRICA AND THE MIDDLE EAST, IN OUR VIEW, WOULD PUT MORE PROBLEMS IN THE WAY OF A SUCCESSFUL OUTCOME OF THE AGRICULTURAL PORTION OF THE MTN'S. IT WOULD BE A GRIEVOUS TACTICAL ERROR

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FOR THE U.S. GOVERNMENT TO ACQUIESCE IN ANY CHANGE IN THE CONDITIONS OF COMPETITION FOR FRESH CITRUS.

6. RECOMMENDATION: THE MISSION RECOMMENDS, THEREFORE, THAT USEC, U.S. MISSION GENEVA AND EMBASSIES IN THE MEMBER STATE CAPITALS BE INSTRUCTED TO CONVEY GIST OF FOLLOWING POINTS TO POLICY OFFICIALS AT THE HIGHEST APPROPRIATE LEVEL:

A. IF THE EC WERE TO TAKE THE ACTION CONTEMPLATED, IT WOULD SUBSTANTIALLY CHANGE THE COMPETITIVE CONDITIONS WHICH WE ACCEPTED IN THE 1974 ARTICLE XXIV:6 BARGAIN. THUS, IF THE EC WERE TO INCREASE THE MARGIN OF PREFERENCE, IT SHOULD ALSO UNILATERALLY REDUCE THE MFN RATE SO AS TO RESTORE THE 1974 STATUS QUO.

B. UNLESS THE EC WERE TO MAINTAIN THE BALANCE OF COMPETITIVE CONDITIONS ALONG ABOVE LINES, THE USG WOULD BE ESPECIALLY CONCERNED ABOUT IMPLICATIONS FOR THE MTN'S.

C. IN THIS REGARD, WE BELIEVE CONCESSIONS ON FRESH CITRUS ARE ESSENTIAL TO THE SUCCESSFUL CONCLUSION OF THE MTN'S, AND WE ARE PRESUMABLY READY TO BARGAIN RECIPROCALLY FOR THEM. HOWEVER, WE ARE NOT PREPARED TO PAY JUST FOR RESTORATION OF STATUS QUO ANTE, AND EC SHOULD BE PUT ON NOTICE THAT FAILURE TO TAKE THIS CONCERN INTO ACCOUNT COULD HAVE ADVERSE CONSEQUENCES FOR THE MTN'S.

7. MISSION IS FORWARDING UNDER SEPARATE COVER COPIES OF THE PROPOSALS FOR INCREASED FRESH CITRUS PREFERENCES.

HINTON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FRUIT, TRADE, PREFERENTIAL TARIFFS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRUSSE01691
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780041-0287
Format: TEL
From: BRUSSELS USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780116/aaaaamxb.tel
Line Count: 221
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9ab670df-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 BRUSSELS 19206
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3703801
Secure: OPEN
Status: NATIVE
Subject: PROPOSED EC PREFERENTIAL TARIFF REDUCTIONS ON LIMITED OFFICIAL USE LIMITED OFFICIAL USE
TAGS: EAGR, EEC
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/9ab670df-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014